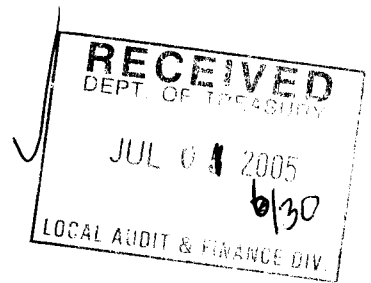


**BELLAIRE PUBLIC LIBRARY**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

05-8000



# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Bellaire Public Library</b>	County <b>Antrim</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>3/16/05</b>	Date Accountant Report Submitted to State: <b>6/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

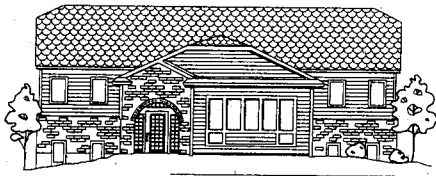
**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Keskine, Cook, Miller &amp; Alexander, LLP</b>			
Street Address <b>100 West First Street</b>	City <b>Gaylord</b>	State <b>MI</b>	ZIP <b>49735</b>
Accountant Signature <i>Keskine, Cook, Miller &amp; Alexander, LLP</i>		Date <b>6/30/05</b>	

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 4
<b><u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u></b>	
STATEMENT OF NET ASSETS	5
STATEMENT OF ACTIVITIES	6
<b><u>FUND FINANCIAL STATEMENTS</u></b>	
BALANCE SHEET	7
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	10
NOTES TO FINANCIAL STATEMENTS	11 - 18
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GOVERNMENTAL FUND	19



**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

March 16, 2005

To the Members of the Board  
Bellaire Public Library  
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Bellaire Public Library, a joint venture, as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Bellaire Public Library as of December 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Keskin, Cook, Miller & Alexander, LLP*

KESKINE, COOK, MILLER & ALEXANDER, LLP

# Bellaire Public Library

P.O. Box 477  
Bellaire, Michigan 49615  
(616) 533-8814

## **BELLAIRE PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004**

This section of the annual financial report of the Bellaire Public Library presents our discussion and analysis of the entity's financial performance during the fiscal year ended December 31, 2004. Please read it in conjunction with the financial statements which immediately follow this section.

### **Financial Highlights**

Our financial status improved over the last year. The change in net assets, as calculated on the full accrual basis of accounting was \$106,448. The excess of revenues over expenditures as calculated on the modified accrual basis of accounting was \$104,426.

Total assets increased to \$525,519. \$226,248 of this balance is invested in capital assets.

Overall revenues were \$214,201, of which \$24,381 are program revenues and \$189,820 are general revenues. Overall expenses (including depreciation) totaled \$107,753.

The primary revenue source of the Library is property tax revenues, collected from Kearney & Forest Home Townships at .3608 mills, consistent with the prior year levy.

The Library purchased various books and periodicals during the year. The Library also purchased new computer equipment.

During the year the Library received a generous bequest of \$92,766. The funds have been placed in a certificate of deposit and the Library Board has designated the funds to be used for major improvements or repairs to the building.

### **Overview of the Financial Statements**

This annual report consists of three parts: the management discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status.

The remaining statements are fund financial statements, which focus on individual parts of the entity in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### **Government-Wide Statements**

The government-wide statements report information about the Library as a whole using the accrual accounting method, as used by private companies. The statement of net assets includes all of the Library's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities; this is one method to measure the Library's financial health or position.

Over time, increases/decreases in the Library's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Library, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

The activities of the Library are reported as a governmental activity. The Library has no business-type activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Library's funds, focusing on significant (major) funds, not the entity as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the entity's board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following fund:

*Library Operations and Maintenance Fund* – All of the Library's activities are included in this fund. The fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the differences between them.

### **Financial Analysis of the Library as a Whole**

The Library's total net assets increased by 25% during the year ended December 31, 2004 totaling \$525,519.

## **Financial Analysis of the Library's Funds**

The day to day activities of the operations fund have remained consistent, comprised of personnel costs, book purchases, utilities and building maintenance. The cost of these activities increased approximately 2% from the prior year. The revenues collected to fund the activities increased slightly due to an increase in taxable values within Forest Home and Kearney Townships. This resulted in an excess of revenues over expenditures of \$104,426 in the fund financial statements. Of special significance this year, the Library was the recipient of a \$92,766 bequest. A contribution of this amount is somewhat unusual to the Library, and the Library Board has designated these funds for major improvements or repairs to the building.

## **Capital Asset and Long-term Debt Activity**

Capital Assets – The Library purchased computer equipment and books and periodicals during the year, costing approximately \$1,266 and \$23,850 respectively. The Library received donated fixtures valued at \$600.

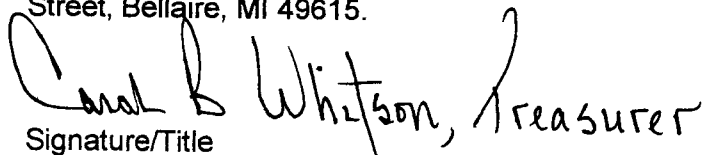
Long-term Debt – The Library has incurred no long-term debt at this time.


## **Known Factors affecting Future Operations**

The Library Board has designated a total of \$148,782 for the purpose of funding major improvements or repairs to the building. This balance includes the bequest described above.

## **Contacting Entity Management**

This financial report is designed to provide taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report please contact either Ms. Linda Offenbecker or Ms. Carol Whitson at 111 South Bridge Street, Bellaire, MI 49615.

  
Signature/Title

  
Signature/Title  
March 16, 2005

**BELLAIRE PUBLIC LIBRARY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

**ASSETS**

**Current Assets:**

Cash and Investments	\$	52,126
Certificate of Deposit		247,145
Total Current Assets		<u>299,271</u>

**Non-Current Assets:**

Capital Assets		305,099
Accumulated Depreciation		(78,851)
Total Non-Current Assets		<u>226,248</u>

Total Assets		<u><u>525,519</u></u>
--------------	--	-----------------------

**NET ASSETS**

Invested in Capital Assets		226,248
Unrestricted		294,193
Restricted		5,078
Total Net Assets	\$	<u><u>525,519</u></u>

See accompanying notes to financial statements.



**BELLAIRE PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>P R O G R A M   R E V E N U E S</u>				<u>NET (EXPENSE)/ REVENUE &amp; CHANGES IN NET ASSETS</u>
<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS &amp; CONTRIBUTIONS</u>	<u>CAPITAL GRANTS &amp; CONTRIBUTIONS</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Library Services	\$ (107,753)	\$ 4,689	\$ 19,692	\$ (83,372)
<b>GENERAL REVENUES</b>				
Property Taxes:				
Forest Home Township				47,943
Kearney Township				43,359
Interest Earnings				5,752
Contributions				92,766
Total General Revenues				189,820
Change in Net Assets				106,448
Net Assets - January 1 (as restated)				419,071
Net Assets - December 31				\$ 525,519

See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2004**

**ASSETS**

Cash and Investments	\$	52,126
Certificates of Deposit		247,145
		<hr/>
Total Assets		299,271
		<hr/> <hr/>

**FUND EQUITY**

Fund Balance		
Undesignated, Unreserved		145,411
Board Designated		5,078
Reserved		148,782
		<hr/>
Total Fund Equity	\$	299,271
		<hr/> <hr/>

See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

<b>FUND BALANCE PER BALANCE SHEET (PAGE 7)</b>	<b>\$ 299,271</b>
--	-------------------

Amounts reported in the Statement of Net Assets are  
different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not used in the  
funds

226,248

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<b>TOTAL NET ASSETS PER STATEMENT OF NET ASSETS (PAGE 5)</b>	<b>\$ 525,519</b>
--	-------------------

525,519

See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**REVENUES**

Property Taxes	\$ 91,302
Penal Fines	14,064
Local Grants, Gifts, and Donations	99,107
State Aid	3,376
Interest	5,752
	<hr/>
Total Revenues	213,601
	<hr/>

**EXPENDITURES**

Recreation and Cultural	109,175
	<hr/>

Excess (Deficiency) of Revenues over Expenditures	104,426
--	---------

<b>Fund Balance - January 1 (as restated)</b>	194,845
	<hr/>

<b>Fund Balance - December 31</b>	<b>\$ 299,271</b>
	<hr/> <hr/>

See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2004**

<b>NET CHANGE IN FUND BALANCE (PAGE 9)</b>	<b>\$ 104,426</b>
--	-------------------

Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives

12,016

Depreciation expense is recorded in the statement of activities but not the fund financial statements

(9,994)

<b>CHANGE IN NET ASSETS PER THE STATEMENT OF ACTIVITIES (PAGE 6)</b>	
--	--

<b>\$ 106,448</b>
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See accompanying notes to financial statements.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE A: ENTITY**

The Bellaire Public Library is a joint venture District Library located in Antrim County, Michigan. The Library's mission is to serve people of all ages by actively providing easily accessible information, materials, services, and programs designed to meet the community's evolving educational, recreational, cultural and informational needs. It receives a majority of its financial support from property taxes levied in Forest Home and Kearney Townships, penal fines, and local donations. The Library operates under a Board of Trustees, comprised of six members appointed by the Townships.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Library are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Library's financial activities.

The accounting policies of the Library conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On January 1, 2003, the Library adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Library's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library as a whole.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

***Government-Wide Financial Statements (Continued)***

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Library has only one function: to provide Library Services to the community. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Library's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for the Library's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this Note.

**FUND TYPES AND MAJOR FUNDS**

*Library Operations Fund* – This is the only fund of the Library. It is a governmental fund used to account for all financial resources related to library operations.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Library are prepared in accordance with generally accepted accounting principles (GAAP). The Library applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**PROPERTY TAXES**

In August, 1994, the Townships of Forest Home and Kearney passed a millage allowing the Library to levy a tax annually on the taxable property in the District (comprised of Forest Home and Kearney Township) in the amount of forty cents per one thousand dollars (.4 mills) for the purpose of supporting the Library. The current (2003 tax year) operating levy is .3608 mills.

Taxes are levied on December 1 and become a lien on the property at that time. The townships collect property tax from December 1 to March 1. The property taxes are considered delinquent March 1.

Although the Library's 2003 tax is levied and collectible on December 1, 2003, it is the Library's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and is available for the financing of Library operations.

Management has determined that the value of uncollected personal property taxes is immaterial to the financial statements each year; accordingly, no provision for uncollectible accounts has been provided.



**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**BUDGETS**

The budget is prepared in August and approved at the September meeting. The approved budget is then provided to the Townships. Amendments are made to the budget as required during the year. During the year ended December 31, 2004, the Library experienced no overexpenditures.

**CAPITAL ASSETS AND DEPRECIATION**

The Library's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Library generally capitalizes assets with historical cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The Library has elected to use a modified approach to recording books and other materials that comprise the Library's collection. The materials are regularly updated and outdated items that are retired. The Library maintains an inventory of the collection at historical cost. No depreciation is recorded, but rather, expenditures related to the collection are recognized as a current expense when incurred. The financial records are adjusted periodically to reflect additions and retirements. The difference between calculated depreciation expense and the expense charged using the modified approach is not material to the financial statements.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	50-75
Computer Equipment	5 - 7
Furniture	7-10
Books	3 - 7
Shelving	25-30

For information describing capital assets, see Note D.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide and financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. At this time, the Library has no outstanding long-term debt.

**NOTE C: CASH AND INVESTMENTS**

**CASH**

Cash is maintained in a financial institution in the Bellaire, Michigan area. The cash consists of an interest bearing checking account. The carrying amount in the checking account at December 31, 2004 was \$52,126 and the bank balance was \$56,693, which is insured by FDIC up to \$100,000.

**INVESTMENTS**

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's investments are as follows:

- (1) Insured or securities held by the Library or the Library's agent in the Library's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Library's name.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Library's name.

Investments are stated at cost, which approximates fair market value. Investments consist of a certificate of deposit with an original maturity in excess of 90 days. Balances at December 31, 2004, consist of the following:

	<u>1</u>	<u>CATEGORY</u> <u>2</u>	<u>3</u>	<u>CARRYING</u> <u>VALUE</u>
Certificates of Deposit	<u>\$ 100,000</u>	<u>\$ 147,145</u>	<u>\$ -</u>	<u>\$ 247,145</u>

Statutory Authority

Act 217, PA 1982, authorizes the Library to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts or depository receipts of federally insured banks, insured savings and loan associates or credit union administration that are eligible to be the depository of surplus money belonging to the State under section 5 or 6 Act 105, PA 1855, as amended
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States Government or Federal Agency obligation repurchase agreements.
- (e) banker's acceptance of United States Banks
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Library's cash deposits and investments are in accordance with statutory authority.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE D: CAPITAL ASSETS**

The Library's capital assets as of December 31, 2004 are summarized as follows:

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>		<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land</u>	<u>Books &amp; Materials</u>	<u>Building &amp; Improvements</u>	<u>Furniture, Fixtures &amp; Computer Equipment</u>	<u>Totals</u>
<b>Capital Assets</b>					
Balance, January 1, 2004	\$ 25,000	\$ 56,810	\$ 140,377	\$ 70,896	\$ 293,083
Increases	-	23,850	-	1,866	25,716
Decreases	-	13,700	-	-	13,700
Balance, December 31, 2004	<u>25,000</u>	<u>66,960</u>	<u>140,377</u>	<u>72,762</u>	<u>305,099</u>
<b>Accumulated Depreciation</b>					
Balance, January 1, 2004	-	-	25,482	43,375	68,857
Increases	-	-	1,872	8,122	9,994
Decreases	-	-	-	-	-
Balance, December 31, 2004	<u>-</u>	<u>-</u>	<u>27,354</u>	<u>51,497</u>	<u>78,851</u>
Total Capital Assets, Net	<u>\$ 25,000</u>	<u>\$ 66,960</u>	<u>\$ 113,023</u>	<u>\$ 21,265</u>	<u>\$ 226,248</u>

Depreciation expense was charged entirely to the operations function of the Library.

Estimates were used in calculating the cost of books and material retired in the year ended December 31, 2004.

**NOTE E: RESTATED FUND BALANCE AND NET ASSETS/CHANGE IN ACCOUNTING  
POLICY**

For the period ending December 31, 2004, the Library has changed its property tax revenue recognition policy as described in Note B. In this case, the method of property tax revenue recognition is preferable because it corresponds closely with availability of funds and with the budget period. Further, it will improve consistency and comparability in amount of property tax revenue recognized year to year. The change in revenue recognition resulted in the following changes to beginning fund balance as follows:

	<u>GOVERNMENTAL FUND BALANCE</u>	<u>NET ASSETS</u>
Balance January 1, 2004 as previously stated:	\$ 253,225	\$ 510,735
Reduce fund balance for 2003 tax levy recognized in prior year; following the change in policy the levy is recognized in the current year	<u>(58,380)</u>	<u>(91,664)</u>
Fund balance January 1, 2004 as restated:	<u>\$ 194,845</u>	<u>\$ 419,071</u>

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE F: DESIGNATED/RESERVED FUND BALANCE AND RESTRICTED NET ASSETS**

**RESERVED FUND BALANCE**

The designated fund balance represents funds that are gifted to the Library. These monies are earmarked for the purchase of specific books, equipment and memorials, as specified by the donor. The amount of monies reserved for such purposes at December 31, 2004 totaled \$5,078.

**DESIGNATED FUND BALANCE**

The Library Board has designated monies to set aside for the purpose of funding major improvements or repairs to the building. The designated fund balance at December 31, 2004 is \$148,782.

**RESTRICTED NET ASSETS**

Net assets in the government-wide financial statements are categorized as either invested in capital assets, restricted by an outside source, or unrestricted. Board designations are not distinguished on the Statement of Net Assets. The restricted net assets balance of \$5,078 at December 31, 2004 represents donations received by the Library that have restrictions placed on them, as described in the "reserved fund balance" section above.

**NOTE G: CONTRIBUTIONS**

During the year the Library received a bequest of \$92,766. A contribution of this amount is somewhat unusual to the Library. The Library Board has designated this bequest for major improvements or repairs to the building. It is included in designated net assets as described in Note F.

**NOTE H: INSURANCE**

The Library is insured for general liability and property loss claims by the State Farm Insurance Company. The following coverage exists:

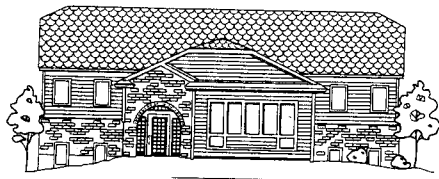
GENERAL LIABILITY	\$ 1,000,000
BUILDING	364,300
PERSONAL PROPERTY	136,500
FIDELITY BOND	90,000
WORKERS' COMPENSATION	Statutory

**BELLAIRE PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
<b>REVENUES</b>				
Property Taxes	\$ 91,688	\$ 91,688	\$ 91,302	\$ (386)
Penal Fines	12,000	12,751	12,751	-
Gifts and Donations	8,300	8,300	99,107	90,807
State Aid	3,000	3,370	3,376	6
Interest	4,000	4,000	5,752	1,752
Book Fines	900	900	1,313	413
Total Revenues	119,888	121,009	213,601	92,592
<b>EXPENDITURES</b>				
Salaries and Wages:				
Librarian	22,600	22,600	22,600	-
Part-time Help	17,017	17,209	17,159	50
Bonus	-	-	2,975	(2,975)
Books and Periodicals	22,000	22,000	22,256	(256)
Accounting Fees	9,000	10,000	9,610	390
Special Projects - Memorials, Patrons, Friends of the Library, Other	13,046	13,275	5,695	7,580
Repair and Maintenance	12,100	11,800	6,711	5,089
Utilities	6,500	6,500	5,603	897
Insurance	3,500	3,500	3,131	369
Payroll Taxes	3,275	3,275	3,508	(233)
Supplies	3,100	2,600	2,261	339
Mid-Michigan League	-	-	1,694	(1,694)
Automation	5,000	5,000	3,236	1,764
Capital Outlay and Building Improvement	1,000	1,500	976	524
Programs	1,000	1,000	873	127
Staff Travel and Expense	750	750	787	(37)
Miscellaneous	-	-	100	(100)
Total Expenditures	119,888	121,009	109,175	11,834
Excess (Deficiency) of Revenues over Expenditures	-	-	104,426	104,426
Fund Balance - January 1 (as restated)	194,845	194,845	194,845	-
Fund Balance - December 31	\$ 194,845	\$ 194,845	\$ 299,271	\$ 104,426

**BELLAIRE PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
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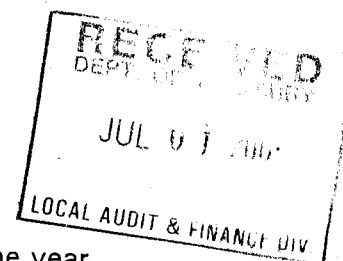


**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

March 16, 2005

To the Board of Directors  
Bellaire Public Library



We have audited the financial statements of Bellaire Public Library for the year ended December 31, 2004, and have issued our report thereon dated March 16, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 18, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Bellaire Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bellaire Public Library are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Bellaire Public Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management's estimate of the cost of books retired is based on average historical cost of books. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Bellaire Public Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, one of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on the Bellaire Public Library's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Bellaire Public Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

### Other

During our audit we noted changes in format on the "Collection Value Report" and the "Items Added/Deactivated Report" from the prior year. These reports are integral to obtaining historic cost of the Library's books and material collection. Thus, it is imperative that these reports accurately reflect the activity for the year so assets are properly reported in the financial statements.

This information is intended solely for the use of Bellaire Public Library and management of Bellaire Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Keskine, Cook, Miller & Alexander, LLP*

Keskine, Cook, Miller & Alexander LLP